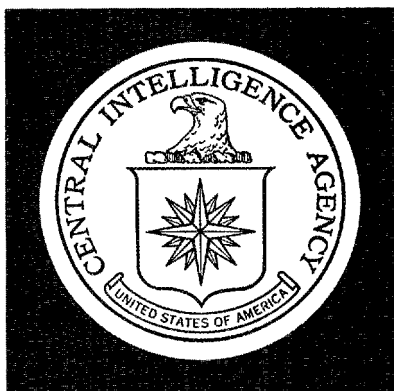


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Secret

50

2 November 1968

State Department review completed

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No. 0303/68
2 November 1968

Central Intelligence Bulletin

CONTENTS

Vietnam: Situation report. (Page 1)

USSR: Soviet manned space flight activity has shown only modest progress since Cosmonaut Komarov's death. (Page 3)

Egypt-Israel: Nasir may be pressed to take face-saving action in response to the Israeli raid. (Page 5)

USSR-Algeria: Moscow will undertake a mineral exploration program. (Page 6)

Panama: Junta opponents may stage demonstrations beginning tomorrow. (Page 7)

Peru: President Velasco continues to take an extremely nationalistic line. (Page 8)



25X1

Norway: There is fresh concern over the state of far north defenses. (Page 10)

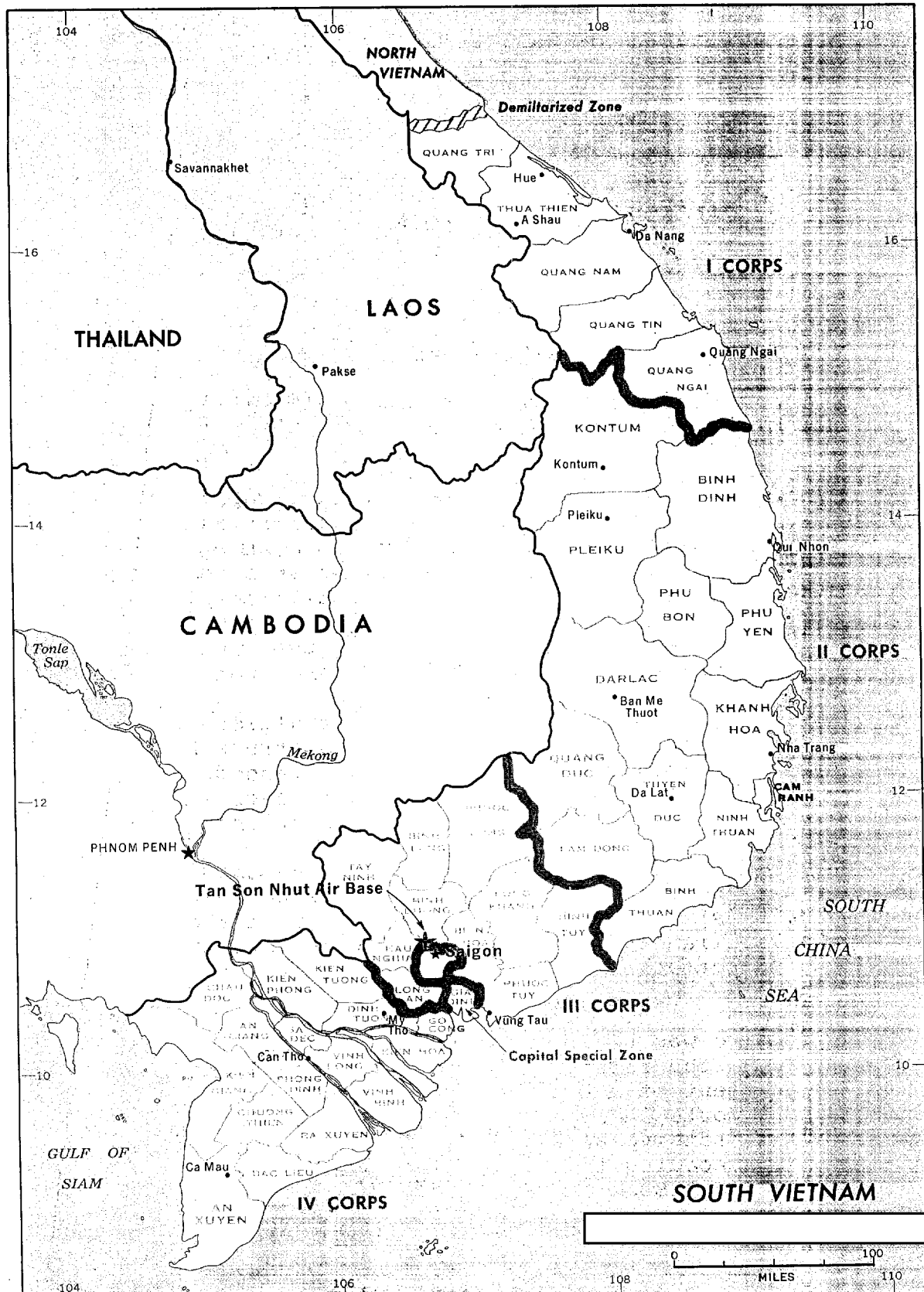
India: New foreign secretary (Page 11)

Italy: Communist leadership (Page 11)

Yugoslavia: Defense budget (Page 11)

Chile: Potential violence (Page 12)

SECRET



92612 10-68 CIA

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[Vietnam:

South Vietnam: No significant Communist offensive actions have been reported since the bombing halt went into effect on 1 November.

In addition to the shellings against several cities and allied military bases, an enemy ground probe against a US Army base in Tay Ninh Province took place early on 1 November. Casualties in this action were fairly heavy on both sides.

Communist efforts to brace their forces in the South against any letdown because of the bombing halt were disclosed in a directive of 28 October captured in the delta. The directive warned Viet Cong forces to beware of "peace illusions" if the bombing were stopped, and reaffirmed that Communist objectives remained intact. In the same kind of exhortation prevalent since the Paris talks began, the directive told Communist personnel to prepare for stepped-up military and political activities after a bombing cessation.

* * * *

The South Vietnamese Government has balked at attending the next session of the Paris talks under the conditions described by President Johnson.

The issue was left vague in pronouncements on 1 November, but in his speech today to the National Assembly, President Thieu specifically stated that the arrangements were unacceptable. Thieu said that Hanoi cannot be permitted to employ "ruses" to get the Liberation Front accepted as a separate entity because this would set a precedent for the formation of a coalition government in South Vietnam.]

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Domestic political considerations doubtless also weigh heavily in Thieu's calculations and he may believe they require him to take this kind of independent position. Vice President Ky has frequently warned that he would move against the government if he felt it were proceeding toward an accommodation with the Communists. Many other South Vietnamese have been outspoken in opposing any Liberation Front participation in negotiations.

North Vietnam: Hanoi delayed its public response to the US bombing halt for more than 24 hours, but has now issued a qualified endorsement of the kind of four-way meeting described by President Johnson.

A government statement broadcast on 2 November stated that after the US has stopped the "bombing and strafing" of North Vietnam, Hanoi will discuss with the US "other matters of concern to the two sides so as to seek a political solution to the Vietnam issue." The statement said that Hanoi was ready for a meeting including the four parties named by President Johnson, but it specifically denied that the presence of the "Saigon administration" constitutes recognition of it.

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USSR: The Soviets have shown only modest progress in manned space flight activity since Cosmonaut Komarov perished during the recovery of Soyuz I in April 1967.

The recent Soyuz III mission demonstrated that the Soviets again consider this spacecraft safe for manned flights. During the four-day flight, Beregovoy completed the first Soviet rendezvous involving a manned capsule, but failed to dock with the unmanned Soyuz II target vehicle--a major objective of the mission. Both manual and automatic techniques were attempted. While the Soyuz III mission appeared to encounter few difficulties save for the failure to dock, no significant advances were demonstrated.

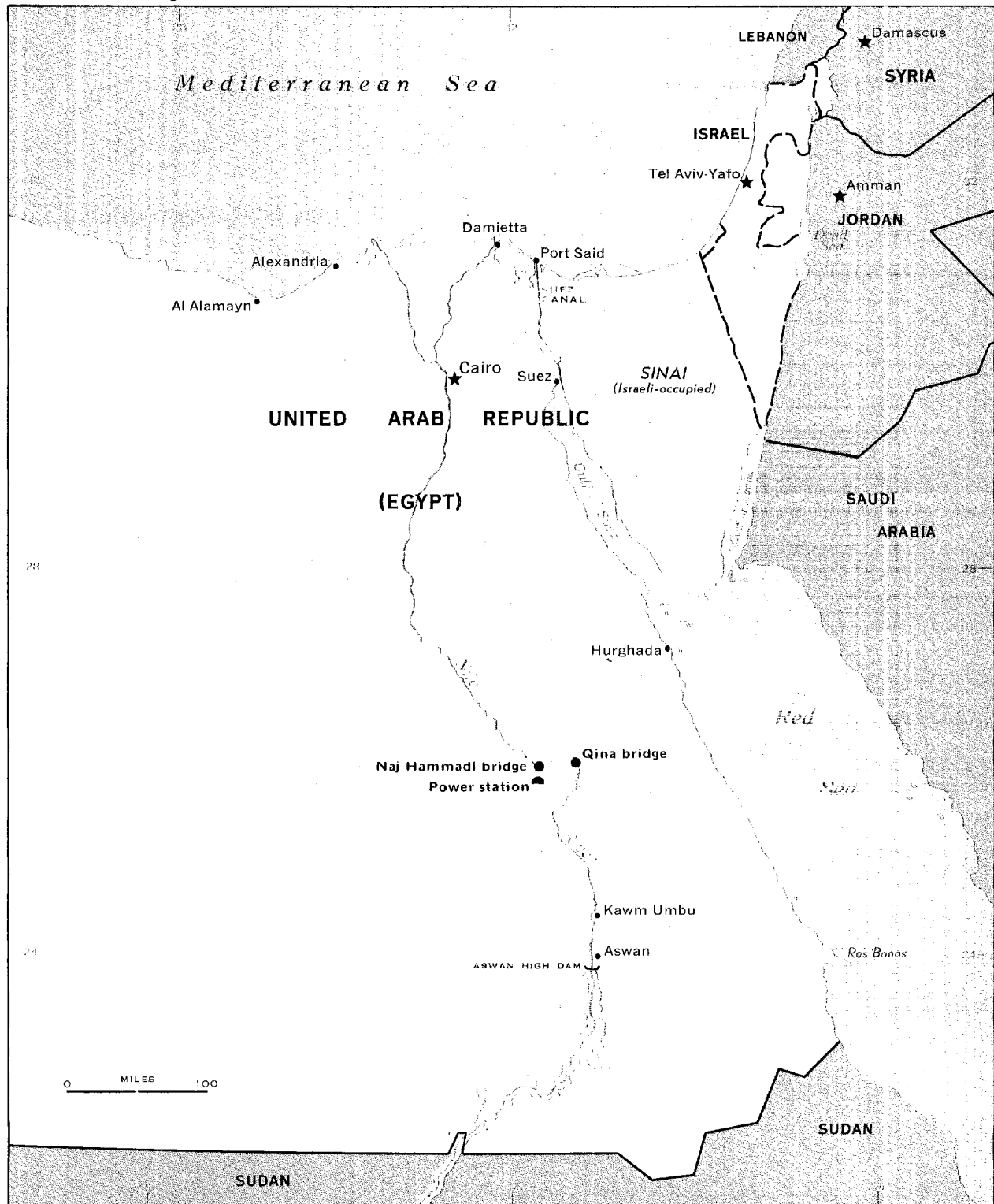
The Soviets must either greatly increase their efforts or accept high risks if they intend to keep pace with the US manned lunar program.

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Israel Hit Bridges and Power Station on the Nile



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Egypt-Israel: Nasir may come under heavy pressure to take some face-saving action to offset the impact of the Israeli raid into Egypt on 31 October.

The raid against two bridges and a power station on the Nile River north of Aswan has once again pointed up Egyptian vulnerability to Israel's typically professional military operations. Nasir, however, even though he recognizes that his military establishment is not yet able to come out on top in major military exchanges with Israel, probably will decide that this is no time to show weakness by relaxing Egypt's aggressive military posture. As a result the Arab-Israeli situation probably will deteriorate even further, with perhaps fatal consequences for the mission of UN special representative Gunnar Jarring.

The UN Security Council was called into session by Egypt and it seems that Cairo will seek, for the moment at least, to seize the initiative in that forum.

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USSR-Algeria: The USSR reportedly will undertake a seven-year mineral exploration program in Algeria that will involve 700 Soviet technicians.

The agreement, which was drawn up in Moscow last July during the visit of the Algerian minister of industry and energy, is expected to be signed later this month. The Soviets reportedly will allocate almost \$11 million to the project during 1969-71. The money for this phase is expected to come out of funds earned this year from Soviet purchases of Algerian wine, petroleum products, and minerals.

Soviet technicians already have conducted some exploratory work for ferrous and nonferrous minerals, and they are developing facilities to process lead, zinc, and mercury. The USSR currently has almost 1,900 economic technicians in Algeria; approximately 200 of them are engaged in petroleum research and exploration.

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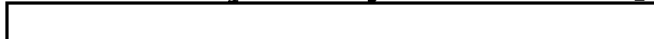
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Panama: Opponents of the junta government may attempt to stage demonstrations against the national guard during the three-day national holiday observances which begin tomorrow.



University students voted overwhelmingly on 28 October to extend their strike until 6 November and participate in the independence day protest march. They appear to be paying little attention to the Communist-dominated leadership of the country's largest student federation, which has urged all students to refrain from militant opposition to the guard. The Communist movement has already been hard hit by the junta's arrest of key activists, and fears further repression if students openly defy the guard.

The split between the students and Communist leaders, together with the government's decision to restrict student participation in national holiday programs to ceremonies at individual schools, will probably reduce the chances for serious disorders. Extremist elements or supporters of ex-president Arias, however, may try to set off clashes with the guard, whose forces will be heavily deployed throughout the city during the three-day observances.



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Peru: President Velasco is continuing to take an extremely nationalistic line.

In a speech on 30 October he claimed that the military had moved against former president Belaunde because Belaunde had ignored repeated warnings against supporting economic interests that "scoffed at our sovereignty and exploited us like slave traders." Velasco stated that the present administration will put an end to "the privileges of a few, supported by those colonial interests today repudiated by the entire world." In a separate speech he said that the military government plans to remain in office a long time.

At the same time, the government is taking a tougher line at home. Two newspapers, a magazine, and two radio stations that have criticized the government have been closed in the last few days. An official communiqué following the closings stated that press freedom will continue, but that reports "interfering with the objectives of the revolution" will not be permitted. This may be the first move toward censorship or other forms of regulation.

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Norway: The recent parliamentary debate on foreign policy showed signs of fresh concern over the state of Norway's and NATO's defenses, particularly in the far north.

Defense Minister Tidemand set forth in unusually strong and detailed terms the lessons for Norway and NATO of the events in Czechoslovakia and the Soviet military exercises held this summer near the Norwegian border. Reflecting long-standing concern in Norway about its lightly defended north, Tidemand pointed to the Soviet ability to prepare to intervene in Czechoslovakia under the cover of military exercises and the implications this had for Norway. He noted that in addition to the Soviet land forces' exercises in the north, the Soviets had also conducted naval, air, and amphibious exercises off Norway and had developed the Kola peninsula as a major base area.

The US Embassy in Oslo believes that Tidemand's strong statements were intended to create a receptive atmosphere for the defense recommendations he will be making to bolster Norway's defenses as well as to counter any remaining illusions Norwegians have about immediate prospects for East-West detente.

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NOTES

India: Dealings between India and the West are likely to be more difficult following the retirement next week of Rajeshwar Dayal as Indian foreign secretary and his replacement by T.N. Kaul, previously Dayal's immediate subordinate. A former ambassador to the USSR, Kaul is characterized as an opportunist whose pro-Soviet bias has been tempered by Dayal's moderating influence. As the ranking civil servant in the Ministry of External Affairs, Kaul can be expected to encourage the pro-Soviet inclinations of Prime Minister Gandhi, who still acts as her own foreign minister. [REDACTED]

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Italy: A persistent circulatory ailment may cause Luigi Longo, secretary general of the Communist Party, to accept a new, less active post as party president. Enrico Berlinguer, who is 46, would then probably oversee daily affairs of the party. He has supported Longo's stand against the Soviet intervention in Czechoslovakia. The 12th national party congress, scheduled for January, would probably be the occasion for the announcement of a new secretary general, should it be necessary. [REDACTED]

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Yugoslavia: The Yugoslav budget for 1969 increases the defense allocation to a record \$549 million. This sum, which is more than 60 percent of the total budget, represents a seven-percent increase over military expenditures planned for this year. Increased taxes on certain luxury goods and on some commercial transactions will provide enough additional revenue to cover approximately 80 percent of the planned increase in total budgetary expenditures. These taxes also will lessen the inflationary impact of additional defense spending. [REDACTED]

2 Nov 68

Central Intelligence Bulletin

11

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Chile: Violence may erupt on 4 November during a ceremony awarding the first land titles under the government's agrarian reform program. More families have been settled in the Choapa Valley, north of Santiago, than the land can support, and about 500 will have to be moved. The Socialists, who are strong in the area, reportedly may try to exploit the situation to embarrass the government, and violence could result.

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